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DE RUEHBR #1017 1461758  
ZNY CCCCC ZZH  
P 261758Z MAY 06  
FM AMEMBASSY BRASILIA  
TO RUEHC/SECSTATE WASHDC PRIORITY 5474  
INFO RUEHRG/AMCONSUL RECIFE PRIORITY 4829  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHSO/AMCONSUL SAO PAULO 7024  
RUEHRI/AMCONSUL RIO DE JANEIRO 2132  
RUEHBU/AMEMBASSY BUENOS AIRES 4030  
RUEHSG/AMEMBASSY SANTIAGO 5521  
RUEHAC/AMEMBASSY ASUNCION 5445  
RUEHMN/AMEMBASSY MONTEVIDEO 6260  
RUEHRH/AMEMBASSY RIYADH 0034  
RUEHME/AMEMBASSY MEXICO 1975  
RUEHCV/AMEMBASSY CARACAS 3255  
RUEHBO/AMEMBASSY BOGOTA 3756  
RUEHQT/AMEMBASSY QUITO 1828  
RUEHLP/AMEMBASSY LA PAZ 4598  
RUEHPE/AMEMBASSY LIMA 2999  
RUEHC/USDOC WASHDC  
RHEBAAA/USDOE WASHDC  
RHEHNSC/NSC WASHDC  
RUEHMD/AMEMBASSY MADRID 0568  
RUEHMO/AMEMBASSY MOSCOW 0304  
RUEHJI/AMCONSUL JEDDAH 0005  
RUEHNY/AMEMBASSY OSLO 0036

C O N F I D E N T I A L BRASILIA 001017

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NSC FOR CRONIN  
DOE FOR S.LADISLAW  
TREASURY FOR OASIA - DAS LEE, DDOUGLAS  
STATE PASS TO FED BOARD OF GOVERNORS FOR ROBITAILLE  
USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSEN/ADRISCOLL/MWAR D  
USDOC FOR 3134/ITA/USCS/OIO/WH/RD/SHUPKA  
STATE PASS USAID FOR LAC

E.O. DECL: 05/25/2016  
TAGS: [EPET](#) [EINV](#) [ECON](#) [PREL](#) [BR](#) [EC](#)  
SUBJECT: BRAZIL'S PETROBRAS: NO INTENTION OF TAKING OVER OXY'S  
ECUADOR ASSETS

REF: A) STATE 81527 B) BRASILIA 1006

Classified by Economic Counselor Bruce Williamson, reasons 1.4  
(b) and (d).

11. (C) In separate meetings on May 23, visiting WHA Assistant  
Secretary Thomas Shannon and the Charge delivered ref A points

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to President Lula's chief of Staff, Dilma Rousseff, as well as  
Foreign Ministry Under Secretaries Felicio and Patriota. A/S  
Shannon stated that Ecuador's dispute with Occidental Petroleum  
had presented the USG with a big problem and added that how it  
was handled could easily impact the coming elections in that  
country. Occidental is poised to take the GOE to arbitration  
and the USG may open government-to-government talks under our  
Bilateral Investment Treaty (BIT) and possibly even take action  
against Ecuador's preferential market access privileges. The  
USG is trying to approach the issue in a way that is  
non-inflammatory, but the GOE must be made to understand how  
serious a problem this could be. U/S Felicio noted that the GOE  
had contacted Petrobras about helping out in managing recently  
nationalized sectors, but Petrobras emphatically declined,  
noting that it had a very full plate at the moment.

12. (SBU) The Charge also made ref A points to Petrobras  
International Director Nestor Cervero in a May 26 meeting at  
Petrobras headquarters in Rio de Janeiro (see septel). Cervero  
stated that Petrobras had no intention of taking over

Occidental's Ecuador assets. He noted that Petrobras and Occidental were partners in several projects in the United States and that it would be bad policy for Petrobras to undermine its relationship with Occidental by taking over its Ecuador assets. A similar situation had come up with regard to Sudan, Cervero stated, and Petrobras had likewise demurred. Petrobras does not intend to abandon its other Ecuador projects despite the GOE action against Occidental, he added.

CHICOLA